

## Key events in developed markets next week

US jobs data, global PMI surveys and an ECB meeting top the agenda next week



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### Solid US data unlikely to cure market pessimism on outlook

We think markets are getting a bit ahead of themselves when pricing in a recession in the US over the next couple of years. The dataflow has remained solid so far, and that should be the general trend over the coming week. That said, we don't think Friday's key jobs report will cause a massive rethink among investors. Jobs growth could slip back after a bumper reading in April, although if it does, we think it will be more a function of constrained supply, rather than weaker demand. The National Federation for Independent Businesses has consistently reported that almost 40% of firms have positions they are not able to fill due to a lack of workers. Importantly for the Fed, this does appear to be translating into higher wages. Admittedly, the headline earnings numbers have been less exciting of late, but there is survey-based evidence that firms are looking towards non-wage benefits (sign-on bonuses, more vacation etc) to keep staff on-board.

In short, we don't expect the Fed to follow through with the rate cuts that markets are now pricing in, although a lot depends on trade. Trade tensions are growing, and markets will be watching next week to see if a) Trump is inching closer to placing tariffs on the remaining basket of Chinese goods and b) if China is gearing up for further, non-tariff retaliation.

## ✔ Eurozone: Time for inflation to show its true colours

After a few months of Easter distortions, the true picture of eurozone inflation will come into view next week. On the back of a higher April reading, a drop in both core and headline inflation is expected, but the question is how far down will both actually go? As uncertainty continues, businesses tend to take increased costs into their margins, delaying the recovery of core inflation that the higher wage growth would warrant. Focusing on Germany, we have the next batch of industrial data due next week. This should provide some interesting insights into whether the bottoming out of industry continued or was simply a one-off.

Moreover, the European Central Bank will very likely present details of its Targeted Longer-Term Refinancing Operations (TLTRO) pricing. But more importantly, keep a close eye on the latest macro projections, as these should provide some idea of whether the ECB would eventually be willing to cut rates again or not.

## ✔ UK PMIs to hint at ongoing economic weakness

UK Prime Minister Theresa May will officially stand down next week, kick-starting a leadership contest that is widely expected to result in a more eurosceptic candidate taking over. As 'no deal' fears return over the summer, the economy will continue to suffer. PMIs next week are likely to hint at subdued activity, partly as firms continue to make costly preparations for a 'no deal' exit instead of investing in new projects. While consumer activity has the potential to continue performing a little more strongly as we head into the summer, we think the effect of Brexit uncertainty will keep a lid on overall growth and we don't currently expect a Bank of England rate hike this year.

## ✔ Canada: Economic slack could weigh on strong labour market fundamentals

May should provide us with additional reassurance that the labour market continues to show resilience amid global trade chaos, though we wouldn't be surprised if fundamentals started dropping off their recent highs in the coming months. The recent soft patch of growth has arguably knocked the economy off its 'running with limited spare capacity' trajectory, which was a common theme throughout 2018. The emergence of this economic slack, coupled with the recent US-China trade flare up, could easily see firms postpone any hiring decisions until better data starts to materialise and uncertainty wanes.

During all of this, immigration should continue to put upward pressure on the labour force participation rate. In the short-term, in light of the above reasoning, we may see the unemployment rate edge higher – though this should only be temporary; as we head into late-2019/early-2020, we expect economic growth should start to regain some momentum and we should start to hear some more positive trade rhetoric. In the meantime, we will be scrutinising employment growth in goods-producing industries to see if we can spot an early sign of recovery in sectors that have been struggling more recently – particularly energy and construction.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 1 June</b>					
Italy	-	Economy Festival: Dep. Finance Ministers (1330), BOI Gov. (02/06/19, 1100)			
<b>Monday 3 June</b>					
US	1500	May ISM Manufacturing	53.0	53.3	52.8
	-	Fed Speakers: Daly (0245), Barkin (1740), Bullard (1825)			
Eurozone	0900	May F Markit Manufacturing PMI	47.7	-	47.7
UK	0930	May Markit/CIPS Manufacturing PMI	52.8	-	53.1
New Zealand	0300	Treasury Publishes Monthly Economic Indicators			
Norway	0800	May DNB/NIMA Manufacturing PMI	-	-	53.8
Sweden	0830	Apr Retail sales ex. Fuel (MoM, YoY%)	0.4/1.3	0.6/1.5	0.5/2.0
Portugal	1100	Monthly Employment & Unemployment Estimates			
<b>Tuesday 4 June</b>					
US	1500	Apr F Durable Goods Orders (MoM%)	-2.1	-	-2.1
	1500	Apr F Durable Goods Orders ex. Transport (MoM%)	0.0	-	0.0
	-	Fed Conferences: Williams (1330) - Bank Culture, Powell (1445) - Framework			
Japan	0050	May Monetary Base (JPY tr)	512.5	-	514.6
Eurozone	1000	Apr Unemployment Rate (%)	7.7	-	7.7
	1000	May A Core CPI (YoY%)	1.0	-	1.3
	1000	May Flash CPI (YoY%)	1.4	-	1.7
Australia	0230	Apr Retail Sales (MoM%)	0.3	-	0.3
	0530	RBA Cash Rate Target	1.25	1.25	1.5
	1030	RBA Gov. Lowe Speaks in Sydney			
Sweden	0830	1Q Current Account Balance (SEKbn)	-	-	39.6
<b>Wednesday 5 June</b>					
US	1315	May ADP Employment Change (000's)	200.0	175.0	275.0
	1500	May ISM Non-manufacturing	55.5	56.0	55.5
	1900	U.S. Federal Reserve Releases Beige Book			
	1445	Fed Conferences: Clarida - Framework			
	1600	Fed Speakers: Bostic - Housing Panel, Atlanta			
Eurozone	0900	May F Markit Services PMI	52.5	-	52.5
	0900	May F Markit Composite PMI	51.6	-	51.6
	1000	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.0/1.9
UK	0930	May Markit/CIPS Services PMI	50.7	-	50.4
	0930	May Markit/CIPS Composite PMI	51.1	-	50.9
	0900	BOE Ramsden Speaks in London			
Italy	0900	Istat Releases the Monthly Economic Note			
Australia	0230	1Q GDP (QoQ/YoY%)	0.5/1.8	-/-	0.2/2.3
	0230	RBA Heath Speaks in Perth			
New Zealand	2300	Govt. 10-Month Financial Statements			
Norway	0700	1Q Current Account Balance (NOKbn)	-	-	46795.0
	1045	Norges Bank Gov. Olsen Speaks in Stavanger			
Sweden	0730	May Swedbank/Silf Services PMI	-	-	54.0
<b>Thursday 6 June</b>					
US	1330	Apr Trade Balance (US\$bn)	-50.5	-50.8	-50.0
Japan	0925	BOJ Kuroda Speaks at 2019 IIF Spring Membership Meet (Tokyo)			
Eurozone	1000	1Q F GDP (QoQ/YoY%)	0.4/1.2	-/-	0.4/1.2
	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
	1330	ECB's Draghi Speaks in Vilnius			
Germany	0700	Apr New Orders (MoM/YoY%)	0.3/-5.0	-/-	0.6/-6.0
UK	1000	BOE Gov. Carney Speaks at 2019 IIF Spring Membership Meet (Tokyo)			
Australia	0230	Apr Trade Balance (A\$mn)	5269.0	-	4949.0
<b>Friday 7 June</b>					
US	1330	May Change in Nonfarm Payrolls ('000s)	175.0	193.0	263.0
	1330	May Unemployment Rate (%)	3.7	3.6	3.6
	1330	May Average Hourly Earnings (MoM/YoY%)	0.3/3.2	0.3/3.2	0.2/3.2
	1330	May Participation Rate	-	-	62.8
Japan	0030	Apr Labour Cash Earnings (YoY%)	-1.7	-	-1.9
	0600	Apr P Leading Economic Index	-	-	95.9
UK	-	Prime Minister Theresa May due to resign, kicking off leadership contest			
Germany	0700	Apr Industrial Production (MoM/YoY%)	0.2/0.2	-/-	0.5/-0.9
	0700	Apr Trade Balance (€bn)	22.0	-	22.6
Italy	-	BOI Report on Balance-Sheet Aggregates			
Canada	1330	May Net Change in Employment	-	-	106.5
	1330	May Unemployment Rate (%)	5.8	-	5.7
Norway	0700	Apr Industrial Production (MoM/YoY%)	-/-	-/-	-1.4/-6.5
	0700	Apr GDP Mainland (MoM%)	-	-	0.3
Sweden	1115	Riksbank's Ingves Speaks in Paris			

Source: ING, Bloomberg

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